

PI - Future Cost Avoidance - Projecting

Purpose:

This procedure outlines the process for projecting the future savings from cost avoidance project recommendations, focusing on revisions of current and past payment provisions.

Identification of Roles:

IME Program Integrity (PI)—identify cost avoidance opportunities and present proposals to IME.

IME Unit Manager—reviews data presented and determines if the cost avoidance figures presented are reasonable and acceptable.

Performance Standard:

None

Path of Business Procedure:

- Step 1. When PI begins a new cost avoidance project, the Payment Integrity Specialist creates and names a folder for the project and enters the project into the Cost Avoidance Project Log on the shared drive at: \\Dhsime\PI\SURS\Cost Avoidance Issues\Payment Integrity Docs\Future Cost Avoidance Project Log.xls.
- Step 2. The Account Manager is responsible for presenting cost avoidance proposals to the State. These proposals are based on the Payment Integrity Specialist's calculated and projected cost savings and proposed revision(s) to the Medicaid Management Information System (MMIS), Department's payment policies, or Iowa Administrative Code. Credit to the IME Program Integrity contractual financial performance is secured through Department of Human Services (DHS)-approved cost avoidance projections. The monthly value of cost avoidance cannot be claimed until the proposed change has been submitted to the appropriate unit for development and implementation. Once the submission is acknowledged and approved, the value of cost avoidance is claimed one month at a time as part of the Performance Tracking process.
- Step 3. The Payment Integrity Specialist, Operations Manager and/or the Database Management Administrator, along with the assistance of a case Reviewer where necessary, complete the following tasks to calculate and project future cost avoidance.
 - a. Through a review of historical MMIS claim payments and/or medical records determine an error rate to quantify the extent and volume of Medicaid overpayments.

- b. Generate and compile data, through a data warehouse query or any other applicable database.
 - c. Calculate the historical financial impact of the reimbursement issue in question through a designated payment date (determined by Payment Integrity Specialist, Database Management Administrator, and Operations Manager or designees).
- Step 4. Calculate the financial impact of the proposed recommendation through the same designated payment date.
 - a. The data compiled must clearly identify how the proposed change will result in the amount of cost avoidance being projected.
 - b. The data compiled must further reflect the amounts of inappropriate payments as represented by the determined error rate.
- Step 5. Summarize the payment data within an Excel spreadsheet on a monthly basis, representing two to three years of prior utilization, as determined by Payment Integrity Specialist, Database Management Administrator, and Operations Manager. (Exhibit 1)
- Step 6. If the entire claim population is significant, it is appropriate to use a statistically valid sampling process in determining an error rate. Refer to the procedures entitled “Using Statistical Sampling for PI Reviews” and “Extrapolating Error Rate from Statistical Sampling”.
- Step 7. Calculate the future value of the changes being recommended based on the historical value of those payments deemed inappropriate.
 - a. This calculation may be based either on an actual count of errors within the entire population or on an error rate determined through the above-referenced valid sampling process.
- Step 8. Create a bar or similar chart to display the monthly amounts of inappropriate payment reflected on the spreadsheet.
 - a. Linear regression analysis (a feature provided by Microsoft Excel) is applied to the historical pattern of inappropriate payments. PI generates a regression line representing the historical trend or pattern of the payments in question. (Exhibit 2)
 - b. Use this trend line to identify future monthly values of either the changes proposed or the continued payments for the activity in question.

- c. Use Microsoft Excel to display the mathematical equation of the trend line on the face of the chart.
- d. Use this equation to project the future monthly amounts of payments associated with the issue.
- e. By applying the number of the future period (month) to the “x” variable in the equation, the anticipated monthly savings or payment amount is obtained.

Step 9. Apply the error rate to future payments, as deemed appropriate.

Step 10. Include any prospective or retrospective increases in funding or appropriation passed by the Iowa Legislature and approved by CMS into all cost avoidance projections. Document these adjustments with spreadsheet files created for each projection. (Exhibit 3)

Step 11. The Account Manager presents all recommended modifications, along with the calculated cost avoidance projections, in a comprehensive package to the IME Unit Manager, and other IME staff as appropriate.

- a. The projections based on the recommended changes must be clearly linked to the cost avoidance amounts claimed in the Performance Tracking process.

Step 12. The IME Unit Manager reviews the data presented and determines if the cost avoidance figures presented are reasonable and acceptable.

Step 13. The Payment Integrity Specialist maintains a ledger of cost avoidance projections that comprises the monthly amount claimed.

- a. Cost avoidance projections developed and accepted are additive. Once accepted by the State, the value continues to be counted for each succeeding month of the contract.
- b. Include new, approved cost avoidance measures in the monthly calculations and reports starting the month immediately following approval by the IME Unit Manager.

*Spreadsheet Reflecting Historical Payment Data for Issue Under Review
Exhibit 1*

Microsoft Excel - Final Cost Avoidance W2005 W2006.xls

File Edit View Insert Format Tools Data Window Help

Claim Count

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
1	Claim Count	Paid	Period														
2	552	\$5,613.94	Jan 2003	<p>These numbers are the sum of the line item reimbursement amounts for line items with W2005 or W2006.</p> <p>The RP modifier is also present on all of these line items. How with or without the RP modifier on the W2005 & W2006 line items.</p> <p>Also, on the same claims, one of the following procedure codes was also present: (proc_code) IN ('V2020','V2625','50616','W0953') OR (proc_code) BETWEEN 'V2590' AND 'V2430'.</p> <p>Paul Bryon 3/13/2006</p> <p>I asked Joan about the dropoff in late 2003. She couldn't remember what may have happened to explain this. Apparently this issue is something Policy has gone back and forth on. Cathy Coppes may have more info, but she was unavailable to ask.</p>													
3	552	\$5,177.01	Feb 2003														
4	556	\$5,714.04	Mar 2003														
5	556	\$5,364.08	Apr 2003														
6	552	\$5,584.60	May 2003														
7	520	\$5,134.75	Jun 2003														
8	517	\$5,263.64	Jul 2003														
9	593	\$7,126.59	Aug 2003														
10	560	\$5,627.30	Sep 2003														
11	202	\$2,006.30	Oct 2003														
12	107	\$1,117.55	Nov 2003														
13	212	\$2,361.30	Dec 2003														
14	324	\$3,685.72	Jan 2004														
15	333	\$4,034.52	Feb 2004														
16	532	\$5,364.42	Mar 2004														
17	505	\$5,071.08	Apr 2004														
18	416	\$4,821.42	May 2004														
19	477	\$5,801.28	Jun 2004														
20	438	\$5,381.24	Jul 2004														
21	541	\$5,731.97	Aug 2004														
22	586	\$7,240.52	Sep 2004														
23	581	\$7,051.06	Oct 2004														
24	621	\$7,332.18	Nov 2004														
25	620	\$7,314.60	Dec 2004														
26	616	\$7,357.96	Jan 2005														
27	667	\$5,044.72	Feb 2005														
28	814	\$5,634.50	Mar 2005														
29	736	\$5,797.52	Apr 2005														
30	727	\$5,791.15	May 2005														
31	666	\$5,065.84	Jun 2005														
32	627	\$7,838.48	Jul 2005														
33	807	\$10,249.99	Aug 2005														
34	772	\$5,473.40	Sep 2005														
35	692	\$5,650.00	Oct 2005														
36	644	\$7,913.51	Nov 2005														
37	577	\$7,319.92	Dec 2005														
38	13,866	\$238,478.41	Totals:														

Ready

Start

SY2-01 - EXTRAID...

Inbox - Microsoft...

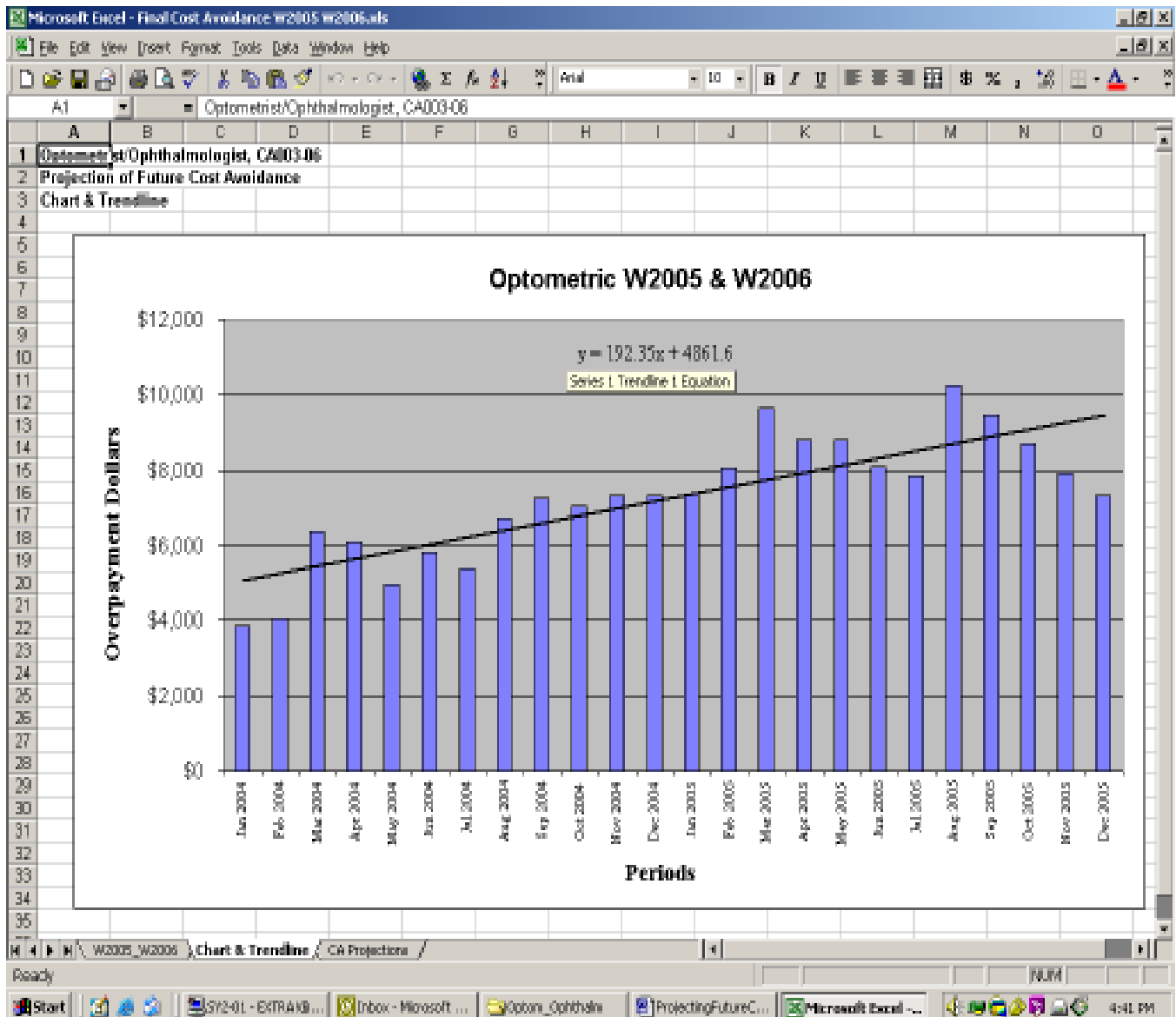
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Microsoft Excel - ...

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Bar Chart and Regression Line Constructed to Reflect Historical Payment Trend
Exhibit 2



***Projected Monthly Payments Derived By Utilizing Regression Line Equation
Exhibit 3***

Microsoft Excel - Final Cost Avoidance W2005 W2006.xls

File Edit View Insert Format Tools Data Window Help

A1 Optometrist/Ophthalmologist, CA003-06

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	Optometrist/Ophthalmologist, CA003-06														
2	Projection of Future Cost Avoidance														
3	Applying Trendline to 2006 and 2007														
4															
5															
6				Period #	Period	CA \$									
7				25	Jan 2006	\$9,670									
8				26	Feb 2006	\$9,863									
9				27	Mar 2006	\$10,055									
10				28	Apr 2006	\$10,247									
11				29	May 2006	\$10,440									
12				30	Jun 2006	\$10,632									
13				31	Jul 2006	\$10,824									
14				32	Aug 2006	\$11,017									
15				33	Sep 2006	\$11,209									
16				34	Oct 2006	\$11,402									
17				35	Nov 2006	\$11,594									
18				36	Dec 2006	\$11,786									
19				T		\$128,739									
20															
21															
22				37	Jan 2007	\$11,979									
23				38	Feb 2007	\$12,171									
24				39	Mar 2007	\$12,363									
25				40	Apr 2007	\$12,556									
26				41	May 2007	\$12,748									
27				42	Jun 2007	\$12,940									
28				43	Jul 2007	\$13,133									
29				44	Aug 2007	\$13,325									
30				45	Sep 2007	\$13,517									
31				46	Oct 2007	\$13,710									
32				47	Nov 2007	\$13,902									
33				48	Dec 2007	\$14,094									
34				T		\$156,438									
35															

W2005_W2006 Chart & Trendline CA Projections

Ready

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Forms/Reports:

Please see Exhibits 1, 2, and 3 above.

RFP References:

6.1.2.2.6

Interfaces:

IME Program Integrity
IME Core Unit
IME Policy Unit
IME Unit Manager

Attachments:

<\\Dhsime\pi\SURS\Cost Avoidance Issues>